

## FISCAL NOTE

### SB 2236 - HB 2177

January 21, 2000

#### SUMMARY OF BILL:

- Exempts from the sales tax certain school supplies, clothing or footwear purchased during a 72-hour period each August.
- Provides definitions as to what type of items would be exempt and limits the dollar value to \$50.00.
- Authorizes the Commissioner of Revenue to promulgate rules and regulations to administer this section.
- Increases the privilege tax on cigarettes from 13 cents per pack of 20 to 30 cents per pack of 20.
- Increases the privilege tax on wine from \$1.10 per gallon to \$2.57 per gallon.
- Increases the privilege tax on alcohol from \$4.00 per gallon to \$9.37 per gallon
- Provides for an effective date of July 1, 2000.

#### ESTIMATED FISCAL IMPACT:

**Increase State Revenues -Net Impact - \$74,756,263**

**Increase State Expenditures - \$67,000 One-Time**

**Decrease Local Govt. Revenues - Net Impact - \$8,525,043**

	<u>State Portion</u>	<u>Local Portion</u>
<u>Increased Revenues</u>		
Cigarette Tax	\$84,776,081	
Wine Tax	5,861,598	\$1,200,568
Spirits Tax	22,165,497	4,539,921
Sales Tax on Cigarettes	3,963,706	1,486,185
Sales Tax on Wine	91,891	34,454
Sales Tax on Spirits	<u>356,637</u>	<u>133,721</u>
Subtotal	\$117,215,410	\$7,394,849
 <u>Decreased Revenues</u>		
Sales Tax on Cigarettes		
[10% Decrease in Sales]	9,992,942	3,746,838
Sales Tax on Wine		
[5% Decrease in Sales]	37,904	14,214
Sales Tax on Spirits		
[5% Decrease in Sales]	55,574	20,840
Sales Tax Exemption		
First 2 Weekends in August	<u>32,372,727</u>	<u>12,138,000</u>
 Subtotal	<u>42,459,147</u>	<u>15,919,892</u>
 NET INCREASE(DECREASE)		
IN REVENUES	<u>\$74,756,263</u>	<u>(\$8,525,043)</u>

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Estimate assumes the following:

- Approximately 605,543,438 packs of cigarettes were sold last year.
- A decrease of in-state sales of approximately 10% or 60,554,343 packs due to the increased tax.
- Cigarettes are sold in packs of twenty.
- Approximately 5,264,280 gallons of wine were sold last year.
- A decrease of in state wine sales of approximately 5% or 263,219, gallons of wine due to the increased tax.
- Approximately 5,448,418 gallons of alcohol were sold last year.
- A decrease of in-state sales of approximately 5% or 272,421 gallons of alcohol due to the increased tax.
- A decrease of approximately \$10,084,945 in-state sales tax revenues due to a decrease of in-state purchases of cigarettes, wine and alcohol.
- A decrease of approximately \$3,781,854 in local government sales tax revenues due to a decrease of in-state purchases of cigarettes, wine and alcohol.
- Total state sales tax revenue generated by sales of school supplies, clothing, and footwear in July, August, and September is estimated to be approximately \$89,936,104 in the absence of this bill.
- Approximately \$32,372,727 is estimated to be exempt from tax resulting from purchases being made of school supplies, clothing and footwear during the first and second weekends in August.
- Total local government sales tax revenue generated by sales of school supplies, clothing, and footwear in July, August, and September is estimated to be approximately \$33,726,039 in the absence of this bill.
- Approximately \$12,138,000 is estimated to be exempt from tax resulting from purchases being made of school supplies, clothing and footwear during the first and second weekends in August.
- A one-time increase in state expenditures of approximately \$67,000 to notify taxpayers of the changes.

## **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director